Of all the threats to your financial security none is more dangerous than debt. Indeed, there are ominous signs that indicate consumer debt is a serious problem in the United States. In fact, personal bankruptcies exceed one million and total consumer debt now exceeds \$1 trillion.

Overcharging is the primary cause of credit problems. However, there are some other common credit mistakes that can work against you financially.

1. NOT KNOWING YOUR INTEREST RATE AND FEES.

Fees vary widely among loans and credit cards. Always make sure you know what the rate and annual fees are before you accept the card or the prepaid finance charges and rates for loans. If you have existing cards or loans, check the rate you're paying and if it's high, shop for a card or loan with a lower rate.

2. RAISING CREDIT CARD LIMITS.

If you use credit cards, avoid raising your limit. An increased limit is merely an increased temptation to buy. Many companies notify you that they are raising your limit. Take such notices as a warning signal. If you're such a good customer the card company wants more, chances are you've been using your credit card for more than emergencies! To refuse an increase simply call or write the card company and say, "Thanks, but no thanks."

3. STRETCHING OUT A LOAN TO GET LOWER PAYMENTS.

When using an installment loan, people often stretch out the life of the loan. Their objective is lower monthly payments, but the result is higher interest charges over the life of the loan. You should always select the shortest payment period possible to avoid overpaying. If making the payment will be a struggle, ask yourself whether the loan is really a good idea.

4. NOT VALUING YOUR CREDIT.

Good credit is a valuable commodity in today's economy. Bad credit, including a bad credit record, late payments, etc. can create a negative financial profile that can surface when you have a legitimate need to borrow. For example, abusing short term credit obligations can cause a mortgage lender to reject your application for a home mortgage.

5. ALLOWING A NEED FOR STATUS TO OVERRULE COMMON SENSE.

Most credit card companies now offer a "status" card, targeted to the consumer's desire to have the very best of everything. Beware, such "status" cards often have higher credit limits, more frills and the highest annual feesfrom \$75 to \$100. Avoid paying extra for status.

These common mistakes could cost hundreds of dollars - dollars you could be using to build future security.

The Indiana Department of Financial Institutions, Division of Consumer Credit has many other credit related brochures available, such as:

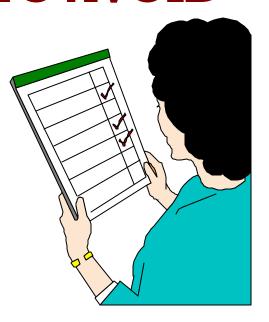
> Answers to Credit Problems **Applying for Credit** At Home Shopping Rights Bankruptcy Facts Buried in Debt Charge Card Fraud **Choosing A Credit Card** Co-Signing Credit and Divorce Deep in Debt? **Equal Credit Opportunity** Fair Credit Reporting Fair Debt Collection Gold Cards Hang up on Fraud **High Rate Mortgages** Home Equity Credit Lines How to Avoid Bankruptcy Look Before you Lease Mortgage Loans Older Consumers Repossession Reverse Mortgage Loans Rule of 78s – What is it? **Shopping for Credit Using Credit Cards** Variable Rate Credit What is a Budget? What is the DFI?

Call our toll-free number or write to the address on the cover for a copy of any of the brochures listed or for further consumer credit information.



DEPARTMENT OF FINANCIAL INSTITUTIONS Consumer Credit Division 30 South Meridian Street, Suite 300 Indianapolis, Indiana 46204

FIVE COMMON CREDIT MISTAKES TO AVOID



DEPARTMENT OF FINANCIAL INSTITUTIONS

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